Kim's Interview Responses when asked about a Mercer Survey

A recent Mercer survey finds 75 percent of organizations employ processes to identify critical talent. However, just 49 percent of these companies say they notify critical talent of their status, and only 34 percent track the status of their critical talent in their HR systems. To what do you attribute this disparity?

There are good reasons for not notifying talent of their status. Some are valid, but not all. Organizations often do not notify talent because they lack managerial courage and are afraid of offending or disenfranchizing those who don't make the cut. This decision may border cowardice, but I think the reason is underpinned with good intentions. Many tend to act like Pinocchio in the Geico commercial: "You have potential. And you have potential. And … oh, boy." Good intentions may lead us to do what we consider to be equitable and treat everyone the same. However, if you want to be fair, you won't treat talent equally. Equal treatment is, ironically, highly inequitable. Organizations that provide differential treatment based on an understanding of the performance and potential of their talent are providing the ultimate in fairness and doing right by the business.

There are also valid reasons. 1) Some organizations do not notify talent of their status because they realize that you don't need to tell them. An employee who is indeed a critical talent certainly doesn't need anyone to tell them so – they already know it. 2) Also, there's no reason to differentiate talent if you're not going to treat them differently. And if you're applying differential treatment, you're sending the message that they are different – they'll know they're critical because they're treated as critical with more aggressive stretch assignments, greater responsibility, etc. 3) Additionally, status is not an entitlement or permanent. We don't brand high potentials on the forehead with an H for high and all the others with an L for loser. We differentiate talent based on our best understanding of their potential and contribution, but if our understanding changes for whatever reason, so does the status. If we confer status on someone, we may establish a sense of entitlement that's hard to break.

What does notifying critical talent of their status entail, and what part should HR play in terms of not only keeping critical workers apprised of their status, but tracking that status?

All things considered, it usually makes sense to be absolutely transparent about the process for differentiating talent and then applying differential treatment (moving high potentials more quickly, giving them for responsibility, stretching them, etc.). I this case, telling people they're on a "list" is counterproductive because 1) they already know it, 2) you're treating them like the critical talent they are, so their understanding is reinforced, and 3) your primary goal is to set clear expectations about what constitutes success and what it takes to achieve it. Success must be earned every step along the career path, and there's no such thing as a permanent status. HR can educate the workforce on the process and ensure transparency about intent and methods of differentiating talent.

The survey also finds respondents categorizing approximately 2 percent to 5 percent of the workforce as critical. How does an organization define an employee as "critical," and what is HR's role in making that determination?

The primary vehicle for differentiating talent is a rigorous talent review. It requires a skilled facilitator, and that person is usually an HR professional. Well-run talent reviews are the single best method raising the level of talent management sophistication of operational managers. And every time HR is meeting with a line manager or executive, they need to be ready to put on their educator's hat. Educating the management and executive ranks is a primary responsibility of HR. If they do that, the organization will make better decisions when differentiating talent.

<u>Excerpt from draft of new book</u>
- **Key Position Analysis.** I've frequently heard the term "talent pipeline" glibly tossed about without much thought to a shared definition. To my way of thinking, a talent pipeline is a broad career pathway, often with alternate routes, that leads to a key position in the organization. The pathway is sprinkled with way stations, jobs mostly, that provide development experiences for employees as they navigate their career. As the final destination nears, the pathway narrows, and the vast majority of travelers stop at a way station short of the final destination.

  One of the most common misconceptions is that an organization has but one talent pipeline. We managed several talent pipelines, career paths that prepared talent capable of serving in what we called our royalty positions. The skill sets and perspectives for the royalty positions were different and, of necessity, required different development way stations. The career pathways for each diverged in order to provide the right experiences.

  Royalty positions are those select few positions in the organization that are both very difficult to do and that have very high strategic value because they directly drive the unique value proposition of the firm. Identifying royalty positions is not difficult but is fraught with political sensitivities. Early on we tried doing this with a team comprised of managers from different functions. Big surprise, it seemed that everyone argued that their job should be considered a royalty position. After a few difficult meetings, I assigned the task to Isabel and then reviewed her analysis.

  Determining the difficulty of a position isn't too difficult. Actually, you've pretty much done this when you assess a job for compensable factors. We generally pay more for jobs that are more difficult, that are more complex. In addition to considering the compensation for the position, you can ask yourself how difficult it is to find people who can do the job and consider what special skills and experiences are required.

  In addition to difficulty, you need to also evaluate jobs in terms of strategic contribution to the organization. To do this, you need to objectively – stress on objectively – consider how essential the job is in terms of driving the unique value proposition and providing mission-critical contributions to delivering the strategy. If a job can conceivably be done by a contractor, even if it's extremely complex, it's not likely a driver of your value proposition.

  You can map key jobs on a two-dimensional grid with one axis representing difficulty and the other representing strategic value. If you go through this process, you will have a

valuable map of key jobs in your firm that can provide guidance when developing and deploying talent. To illustrate its applications, here's a simplified map with only a few jobs from our business placed on the grid.
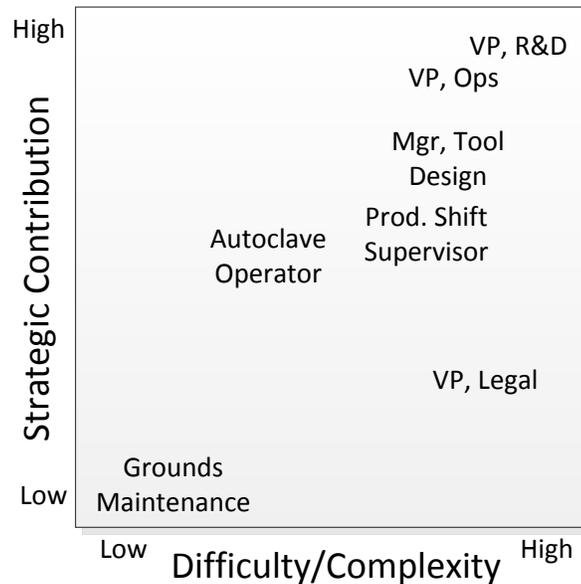
Mapping jobs in this way is useful for identifying the royalty positions, the ones in the extreme upper right corner. You could stop there, but I think there is value in spending time to flesh out the map with all positions that are highly compensated or which have many incumbents. The mapping might come in handy as an input to decisions about restructuring, outsourcing, etc.

You'll probably find that many of your jobs cluster in the middle and, frankly, aren't quite as interesting as the jobs that map out toward the corners. Jobs in the lower left-hand corner are those that are low in complexity and of relatively low strategic value to the firm. These are the jobs that may be candidates for outsourcing if you're so inclined. We did periodically analyze these positions to determine if it made sense to outsource. As examples, we outsourced cafeteria services and grounds maintenance but decided against outsourcing facilities maintenance and security.

Jobs in the lower right-hand corner can be problematic and a distraction. These jobs are high in difficulty and complexity but relatively low in strategic contribution. People in these jobs tend to have high expectations for development and career support, and understandably so. They are typically highly compensated and work in professions that require lots of education and may have certification or licensing requirements.

Often these lower right-hand positions are from your enabling functions such as finance, legal, IT, and HR. If you're brutally honest and objective, you'll admit that, for most organizations, these positions are enablers of the strategy but not the focus of your strategy. My finance, legal, and IT people were strategic thinkers and contributed to executing our strategy. But my customers would never say they bought from my firm because of my

finance or legal or IT capabilities. We did build capabilities in enabling functions and aimed to promote from within, but they didn't merit the same level of attention as royalty positions.

The positions that map into the upper left-hand corner are especially interesting – and problematic. If you have positions that are truly mission-critical to your strategy but that are not difficult or complex, you should ask yourself if your strategy is defensible or can be easily replicated by your competition. If easily replicated, any competitive advantages these positions contribute are probably short-lived. Take some time to reflect on this and how it related to the previous discussion about the nature of jobs and tasks.

The positions in the upper right-hand corner are those upon which your organization rises or falls. These are the royalty positions. They should be the focus of your succession planning. You should be aggressively developing bench strength for these positions and promoting from within to fill them. You can be transparent about the value of these positions. Employees are bright enough to know that not all jobs are created equal. Why make it a secret that these jobs are the primary drivers of your value proposition?